

Message Text

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PAGE 01 EC BRU 06708 081257Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AGR-05 SSO-00 NSCE-00 INRE-00

AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00 LAB-04 SIL-01

SAM-01 OMB-01 L-03 SS-15 NSC-05 USIE-00 ITC-01 PRS-01

PA-01 /081 W

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O 081204Z JUL 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 1496

INFO ALL EC CAPITALS IMMEDIATE 2299

C O N F I D E N T I A L EC BRUSSELS 06708

PARIS DELIVER ASAP TO UNDER SECRETARY ROGERS

E.O. 11652: GDS

TAGS: EEC, EAGR

SUBJECT: COMMISSION PROPOSAL FOR TAX ON FATS AND OILS

1. WE HAVE FAILED TO KILL OFF INCLUSION IN COMMISSION'S DAIRY PROGRAM OF IDEA OF TAX WHICH WOULD AFFECT OUR SOYBEAN TRADE. PROPOSAL FOR TAX ON OILS AND VEGETABLE FATS (NOT BEANS) IS INCLUDED IN ACTION PROGRAM AS ONE OF MANY MATTERS REQUIRING "PROFOUND DEBATE BY COUNCIL OF AGRICULTURE." BATTLE, HOWEVER, IF FAR FROM OVER BOTH WITHIN COMMISSION AND AMONGST GOVERNMENTS AND IT IS IMPORTANT TO RECOGNIZE THAT THERE IS STILL NO FORMAL PROPOSAL. SUCH PROPOSAL AS WELL AS MILK LEVY (NO LEVEL FOR EITHER TAX IS MENTIONED) WILL BE SUBMITTED TO COUNCIL OF MINISTERS AND EUROPEAN PARLIAMENT, IT IS SAID, AS SOON AS THE CONSEQUENCES OF THE PRESENT DROUGHT CAN BE EVALUADED IN A MORE PRECISE MANNER. IN MEANTIME, COUNCIL IS ASKED TO ACT ON PROPOSAL FOR SUBSIDY FOR NON-DELIVERY OF MILK AND DAIRY RECONVERSION.

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PAGE 02 EC BRU 06708 081257Z

2. WE WILL BE SENDING DURING COURSE OF TODAY SERIES OF CABLES

REPORTING IN DETAIL ON TWENTY-PAGE COMMISSION PROPOSALS
FOR HANDLING OF EC MILK SURPLUS PROBLEM; AND FULL TEXT (ABOUT ONE
PAGE) OF DISCUSSION OF POSSIBLE TAX.

3. INTERNAL PROGRAM LINKAGES ARE EXTREMELY COMPLEX.
RATIONALE FOR VEGETABLE OIL TAX IS THAT IT NEEDED TO
MAINTAIN EQUILIBRIUM IN MARKETS FOR PRODUCTS IN WHICH THEY
COMPETE WITH BUTTER FATS.

4. STRONG REPRESENTATIONS IN MEMBER STATE CAPITALS CLEARLY
ARE NEEDED. HOWEVER, OUR ARGUMENTATION MUST BE MOST
CAREFULLY CONSIDERED. OUR INITIAL IMPRESSION IS THAT AT
THIS TIME WE SHOULD EXPRESS GREAT CONCERN OVER EFFECTS ON
POLITICAL AND TRADE RELATIONS GENERALLY RATHER THAN IN
TERMS GATT LEGALITIES. WE WILL NEED TO DEVELOP RAPIDLY
CAREFULLY SUPPORTED ARGUMENTS ON ECONOMICS OF SCHEME AND
GATT IMPLICATIONS, BUT EC PRESENTATION TO COUNCIL HAS BEEN
CAREFULLY ELABORATED TO MINIMIZE OBVIOUS GATT CONTRAVENTION
AND WE MUST BE EQUALLY CAREFUL IN REPRESENTATIONS TO
GOVERNMENTS.

5. EC AG MINISTERS ARE SCHEDULED TO CONSIDER DAIRY SURPLUS
PROBLEM JULY 19-20.

6. AMBASSADOR HAS APPOINTMENT TO SEE LARDINOIS JULY 9
AND HANNAY WILL BRIEF JOHNSTON AND MONTEL LATE JULY 8.

7. WE RECOMMEND (A) AN IMMEDIATE PUBLIC EXPRESSION OF
GREAT CONCERN COUPLED WITH STATEMENT THAT MATTER IS COMPLEX
AND WILL BE CAREFULLY STUDIED, (B) EARLY WARNING
APPROACH TO MEMBER GOVERNMENTS ON GENERAL TRADE AND
POLITICAL IMPLICATIONS, AND (C) AVOIDANCE OF OVER-
REACTION WITH SPECIFIC GATT ACTIONS UNTIL ENTIRE SITUATION
CAN BE CAREFULLY ASSESSED.

8. HOPE UNDER SECRETARY ROGERS WILL EXPRESS CONCERN TO
HIJZEN IN PARIS. HINTON

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